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AZ CORP COMMISSION  
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The Honorable Jeff Hatch-Miller, Chair  
Arizona Corporation Commission  
1700 West Washington Street  
Phoenix, Arizona 85003

The Honorable Mike Gleason  
Arizona Corporation Commission  
1700 West Washington Street  
Phoenix, Arizona 85003

The Honorable Kris Mayes  
Arizona Corporation Commission  
1700 West Washington Street  
Phoenix, Arizona 85003

The Honorable Marc Spitzer  
Arizona Corporation Commission  
1700 West Washington Street  
Phoenix, Arizona 85003

The Honorable William M. Mundell  
Arizona Corporation Commission  
1700 West Washington Street  
Phoenix, Arizona 85003

**Re: Docket No. W-01445A-04-0650, In the Matter of the Application of Arizona Water Company, an Arizona Corporation, for Adjustments to its Rates and Charges for Utility Service Furnished by its Western Group and for Certain Related Approvals**

Dear Commissioners:

As representatives of Arizona's business and economic development community, we are writing to express our concern with the ACC staff-proposed water rate design (the "Staff Rate Design") presently under consideration in the Arizona Water Company - Casa Grande case.

The Staff Rate Design will severely and disproportionately impact both present and future commercial customers, with a corresponding negative impact on our economic competitiveness. At a time when Greater Arizona struggles to create and retain high wage jobs, we believe that such treatment is counterproductive to state and regional economic objectives. Furthermore, while the state is making strides to make our tax policies more competitive, this rate design would essentially be a hidden tax that would undercut the enhanced competitiveness that is essential to the state's future.

Contrary to assertions that the Staff Rate Design will promote water conservation, there is absolutely no evidence to support that claim. Substantially decreasing rates to residential customers at the expense of business will not promote conservation. Businesses - including those in the Casa Grande area directly impacted by this case - have imposed water conservation measures because they have a competitive incentive to do so. Residential customers have no such incentive. Conservation is a worthwhile objective, but the Staff Rate Design does nothing to further, and in fact will hinder, conservation.

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Businesses are willing to pay their fair and proportionate share of the costs for resources they consume. The Staff Rate Design, however, loads far more than a fair and proportionate share of costs on businesses. We urge you to carefully examine the Staff Rate Design, and to adopt a rate design in this and other future cases that is more consistent with economic competitiveness and water conservation objectives, as well as the real costs of service to all categories of consumers. Finally, we encourage you to consider a brief delay in the resolution of this case to provide ample time for consideration of more appropriate alternatives.

Very truly yours,

ARIZONA ASSOCIATION OF INDUSTRIES

ARIZONA ASSOCIATION FOR ECONOMIC DEVELOPMENT

GREATER CASA GRANDE VALLEY ECONOMIC DEVELOPMENT FOUNDATION